



# Interim Financial Report 2014



Regaining vision, regaining life

THIS DOCUMENT IS A FREE TRANSLATION FROM FRENCH TO ENGLISH AND  
IS PROVIDED FOR CONVENIENCE PURPOSES ONLY



## CONTENTS

I – PRESENTATION OF THE COMPANY

II – RISK FACTORS

III – FIRST HALF 2014 CONDENSED FINANCIAL STATEMENTS

IV – MANAGEMENT DISCUSSION AND ANALYSES

V – INFORMATION ON RELATIONSHIP WITH RELATED PARTIES

VI – MAJOR DEVELOPEMENTS

### *Disclaimer*

THIS DOCUMENT IS A FREE TRANSLATION FROM FRENCH TO ENGLISH AND IS PROVIDED FOR CONVENIENCE PURPOSES ONLY



## I – PRESENTATION OF THE COMPANY

Pixium Vision, a company that specialises in sensorial neuromodulation, was created in December 2011 upon the collaborative work of several prestigious scientists and technology institutions in France, including l'Institut de la Vision (UPMC, CNRS, INSERM). The Company is also collaborating with scientific groups and clinicians at research institutes and clinical centres around the world, including Stanford University (USA).

The Company is developing and aims to commercialise Vision Restoration Systems (VRS) – namely active implantable medical devices to treat blindness caused by degeneration of photoreceptor cells in the retina.

Pixium Vision's Vision Restoration Systems (VRS) are intended to significantly improve the independence, mobility and quality of life of patients who have lost their sight as a result of retinal degenerative diseases. These diseases, whether genetic, such as retinitis pigmentosa (RP) or age-related macular degeneration (AMD), cause the acute or progressive degeneration of photoreceptor cells in the retina. The loss of these cells prevents the conversion of visual information into electrical signals, which can then be transmitted to and analysed by the brain. Importantly, these diseases are rarely associated with the deterioration of the other nerve cells in the retina or the optic nerve, and provided an artificial stimulus can still be transmitted, it can be interpreted by the brain.

Pixium Vision is developing its innovative VRS to replace the normal physiological functions of photoreceptor cells in the eye by electrically stimulating the remaining active nerve cells of the retina, which then transmit the input to the brain via the optic nerve. This process is called sensory neuromodulation.

Pixium Vision's VRS leverage a wide array of cutting-edge technologies. They enable the Company to develop therapeutic solutions aimed at providing vision as close as possible to normal. They comprise three components that harness recent developments in microelectronics, optoelectronics, and intelligent software algorithms:

- A **retinal implant** that provides the artificial stimulation, via an electrode array, to the remaining functional retinal nerve cells needed to restore the vision of blind patients. This is only part of the VRS that is implanted in the patient's eye;
- A **portable visual interface** in the form of a pair of glasses integrating an advanced biomimetic mini-camera. The camera uses a proprietary technology developed by Pixium Vision. Event based, it functions the same way as the biological retina. This technology harnesses the latest generation of biomimetic sensors – asynchronous time-based image sensors – an event-based sensor that combines the spatial and temporal functions of human vision. The visual interface is linked to a pocket computer and contains a system for transmitting processed information received from the computer to the implant;
- A **pocket computer** linked to the visual interface that replaces the information-processing function of the retina using a high-speed digital signal processor and proprietary tunable software.



The Company is developing and aims to commercialise two VRS:

- **IRIS<sup>®</sup>**: this first VRS developed by the company uses an implant positioned on the surface of the retina (an epi-retinal implant), and is currently undergoing clinical studies at a number of clinical centres in Europe. Commercialisation of IRIS<sup>®</sup> is expected to begin in Europe in 2015, pending the receipt of CE Mark. Pixium Vision intends to continue to improve the visual benefits that IRIS<sup>®</sup> can provide to blind patients by developing new algorithms and software for its most advanced VRS.
- **PRIMA** is a second VRS technology developed by Pixium Vision. It uses implants positioned within the retina (sub-retinal implants) at the level of the degenerated photoreceptors. PRIMA is in preclinical development and the Company expects to begin clinical trials in Europe in 2016.

Pixium Vision's VRS are protected by more than 250 patents, which cover the key components of the IRIS<sup>®</sup> and PRIMA systems.

IRIS<sup>®</sup> is a trademark of Pixium-Vision SA.

## II – RISK FACTORS

The risk factors affecting the Company have been presented in Chapter 4 of the Registration document filed on 12 May 2014 by the French Financial Markets Authority (AMF) under number I.14-030 and Chapter 2 "Risk factors relating to the Offering" of the offering notice.

To the best of the Company's knowledge, the assessment of risks has not changed since it filed its registration document.

The registration document is available on the company's website:

<http://www.pixium-vision.com/fr/rapports-financiers-et-documents-de-reference>

### III – FIRST HALF 2014 CONDENSED FINANCIAL STATEMENTS

#### BALANCE SHEET

<i>(Amounts in EUR)</i>			30/06/2014	31/12/2013
	<b>ASSETS</b>	<b>Note</b>		
<b>Non-current assets</b>				
Intangible assets		3	9 528 725	8 277 451
Property, plant & equipment		4	635 813	640 981
Non-current financial assets		5	47 045	47 045
<b>Total non-current assets</b>			<b>10 211 583</b>	<b>8 965 477</b>
<b>Current assets</b>				
Other current assets		6	3 310 482	1 906 622
Cash and cash equivalents		7	41 803 619	9 420 190
<b>Total current assets</b>			<b>45 114 101</b>	<b>11 326 812</b>
<b>TOTAL ASSETS</b>			<b>55 325 684</b>	<b>20 292 290</b>

<i>(Amounts in EUR)</i>			30/06/2014	31/12/2013
	<b>LIABILITIES</b>	<b>Note</b>		
<b>Shareholders' equity</b>				
Share capital		8	727 873	392 204
Additional paid-in capital		8	65 411 805	27 204 908
Retained earnings			(9 349 244)	(3 225 836)
Profit/Loss			(4 325 726)	(6 145 814)
<b>Total shareholders' equity</b>			<b>52 464 708</b>	<b>18 225 463</b>
<b>Non-current liabilities</b>				
Non-current provisions			37 391	29 673
<b>Total non-current liabilities</b>			<b>37 391</b>	<b>29 673</b>
<b>Current liabilities</b>				
Trade accounts payable		9	2 441 802	1 378 520
Other current liabilities		9	381 783	658 634
<b>Total current liabilities</b>			<b>2 823 585</b>	<b>2 037 154</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>55 325 684</b>	<b>20 292 290</b>

## INCOME STATEMENT

<i>(Amounts in EUR)</i>	Note	At 30 June	
		2014	2013
<b>Operating income</b>			
Other income	10	1 104 121	574 440
<b>Total income</b>		<b>1 104 121</b>	<b>574 440</b>
<b>Operating expenses</b>			
Research and Development	11	4 510 565	2 284 977
General Expenses	11	930 094	498 641
<b>Total expenses</b>		<b>5 440 659</b>	<b>2 783 618</b>
<b>Operating income</b>		<b>(4 336 538)</b>	<b>(2 209 178)</b>
Financial income	13	19 232	3 163
Financial expenses	13	(8 420)	(5 313)
<b>Financial profit (/loss)</b>		<b>10 812</b>	<b>(2 150)</b>
<b>Current profit (/loss) before tax</b>		<b>(4 325 726)</b>	<b>(2 211 328)</b>
Corporation tax		-	-
		<b>(4 325 726)</b>	<b>(2 211 328)</b>
<b>Other non-transferable comprehensive income</b>			
Actuarial gains (/losses) on pension plans		(2 316)	(2 316)
<b>Total profit (/loss) for the year</b>		<b>(4 328 042)</b>	<b>(2 213 644)</b>
Weighted average number of shares		6 969 461	24 175 548
<b>Net earnings per share</b>		<b>(0,62)</b>	<b>(0,09)</b>
<b>Diluted earnings per share</b>		<b>(0,62)</b>	<b>(0,09)</b>

## CASH FLOW STATEMENT

(Amounts in EUR)

		<b>At 30 June</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>			
Profit (/loss) for the financial year		(4 325 726)	(2 211 328)
<b>Reconciliation of net profit to cash flows used in operating activities:</b>			
Depreciation, amortisation and impairment		382 825	343 045
Non-cash charge for share-based compensation	12	22 406	6 555
Retirement benefit obligations		7 863	7 863
<b>Cash flows from operating activities before financial income/expense and tax</b>		<b>(3 912 632)</b>	<b>(1 853 865)</b>
Other receivables		(1 403 860)	(520 559)
Trade payables		1 063 282	(57 920)
Short-term borrowings and financial debts		-	186 782
Other current liabilities		(276 851)	(372 798)
<b>Net cash flows from operating activities</b>		<b>(4 530 061)</b>	<b>(2 618 360)</b>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment		(126 980)	(72 974)
Acquisitions of intangible assets		(1 502 096)	(27 300)
Acquisitions of financial holdings		-	-
<b>Net cash flows from investing activities</b>		<b>(1 629 076)</b>	<b>(100 274)</b>
<b>Cash flow from financing activities:</b>			
Share capital increases		38 542 565	2 501 582
<b>Net cash flow from financing activities:</b>		<b>38 542 565</b>	<b>2 501 582</b>
Opening cash and cash equivalents		9 420 190	3 088 563
Closing cash and cash equivalents		41 803 619	2 871 511
<b>(Decrease) / Increase in cash position</b>		<b>32 383 429</b>	<b>(217 052)</b>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital		Share premiums	Reserves	Net Profit (loss)	Total shareholders' equity
	Number of shares	Amount				
<i>(Amounts in EUR)</i>						
<b>At 1 January 2013</b>	24 053 162	240 532	15 534 946	-	(3 228 208)	12 547 269
Share capital increases	3 164 556	31 646	2 468 354		-	2 499 999
Issue of BSA (share subscription warrants)			1 582			1 582
Profit (loss) for the year					(2 211 328)	(2 211 328)
Share-based payments				6 555	-	6 555
<b>At 30 June 2013</b>	<b>27 217 718</b>	<b>272 177</b>	<b>18 004 882</b>	<b>6 555</b>	<b>(5 439 536)</b>	<b>12 844 079</b>
<b>At 1 January 2014</b>	39 220 431	392 204	27 204 908	2 372	(9 374 022)	18 225 463
Share capital increases	12 733 559	335 669	40 932 172		-	41 267 841
Expenses recognised as a deduction of share premiums			(2 725 932)			(2 725 932)
Issue of BSA (share subscription warrants)			656			656
Profit (loss) for the year					(4 325 726)	(4 325 726)
Share-based payments				22 406		22 406
<b>At 30 June 2014</b>	<b>51 953 990</b>	<b>727 873</b>	<b>65 411 805</b>	<b>24 778</b>	<b>(13 699 748)</b>	<b>52 464 708</b>



## NOTES TO THE CONSENSUED FINANCIAL STATEMENTS

### **Note 1: The Company**

The company is presented in chapter 1 of this document (page 3).

Major developments that occurred during the first half of 2014 and those that occurred after the closing are presented in chapter VI of this document (page 21).

### **Note 2: Guiding principles and compliance**

#### **Preliminary remarks:**

The company's accounts are established and presented in euros, unless otherwise stated.

Condensed Half year accounts close on 30 June 2014.

Condensed Half Year accounts have been approved on 29 July 2014 by the Board of Directors.

#### **General principles and statement of compliance**

In compliance with EC regulation n°1606 / 2002 adopted on 19 July 2002 by the European Parliament and European Council the financial statements were prepared in compliance with the IFRS standards as adopted by the European Union in effect as of 31 December 2011, for all the reporting periods presented.

IFRS as adopted by the EC differs in certain aspects to the one published by IASB. Nevertheless, the Company has made sure that the financial information presented in its statements would not have been materially different if presented according to IASB's IFRS framework.

International standards include IFRS norms (International Financial Reporting Standards), IAS norms (International Accounting Standards) as well as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

Half Year 2014 condensed financial statements have been prepared according to IAS 34 – Interim Financial Information, as adopted by the European Union, that allows for selected notes explaining the statements.

Notes do not include the full information required for full year financial statements and must therefore be read jointly with the full year 2013 financial statements.

The texts adopted by the EC are available on its website:

[http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias_fr.htm)

### Note 3: Intangible assets

Intangible assets break down as follows:

#### INTANGIBLE ASSETS

<i>(Amounts in EUR)</i>	<u>30/06/2014</u>	<u>31/12/2013</u>
Patents, licences, trademarks	10 499 989	9 000 000
Software	<u>66 284</u>	<u>64 177</u>
<b>Total historical cost</b>	<b><u>10 566 273</u></b>	<b><u>9 064 177</u></b>
Accumulated amort. of patents, licences, trademarks	982 917	755 000
Accumulated amortisation of software	<u>54 631</u>	<u>31 726</u>
<b>Accumulated amortisation</b>	<b><u>1 037 548</u></b>	<b><u>786 726</u></b>
<b>Net total</b>	<b><u>9 528 725</u></b>	<b><u>8 277 451</u></b>

As indicated in note 18 to the financial statements as at 31 December 2013, BSA IMI n°2 holders have exercised their warrants as part of the IPO. Consequently, the beneficiaries have subscribed 1,898,719 IMI shares (before share consolidation) for a total sum of €1,499,989.22. The subscription price of these IMI shares was fully paid through offset of debt held by holders of BSA IMI n°2, as a result of the price difference of shares purchased from the company IMI Intelligent Medical Implants AG in April 2012, for a sum of €1.5 million.

No impairment of assets was recognised in the financial years presented in accordance with IAS 36.

### Note 4: Property, plant & equipment

Property, plant and equipment is composed of laboratory and technical equipment in addition to building fixtures and fittings used to fit out the company's premises.

*(Amounts in EUR)*

		<u>Increase</u>	<u>Decrease</u>	<u>31/12/2013</u>
Industrial and laboratory equipment	500 000	144 099	-	644 099
Building fixtures and fittings	<u>01/01/2013</u> 163 511	53 740	-	217 251
IT equipment	27 883	38 657	-	66 539
Office furniture	53 949	8 064	-	62 014
Other property, plant and equipment	-	-	-	-
<b>Gross total</b>	<b><u>745 343</u></b>	<b><u>244 560</u></b>	<b><u>-</u></b>	<b><u>989 903</u></b>
Accumulated depreciation of industrial and laboratory equipment	112 963	178 457	-	291 420
Accumulated depreciation of building fixtures and fittings	5 929	19 090	-	25 018
Accumulated depreciation of IT equipment	2 775	14 554	-	17 329
Accumulated depreciation of office furniture	3 199	11 955	-	15 154
Accumulated depreciation of other property, plant and equipment	-	-	-	-
<b>Total accumulated depreciation</b>	<b><u>124 865</u></b>	<b><u>224 057</u></b>	<b><u>-</u></b>	<b><u>348 922</u></b>
<b>Net total</b>	<b><u>620 478</u></b>			<b><u>640 981</u></b>

(Amounts in EUR)

	<u>01/01/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>30/06/2014</u>
Industrial and laboratory equipment	644 099	83 001	-	727 100
Building fixtures and fittings		1 108	-	218 359
IT equipment	66 539	37 717	-	104 257
Office furniture	<u>01/01/2013</u> 62 014	5 154	-	67 168
Other property, plant and equipment	-	-	-	-
<b>Gross total</b>	<b>989 903</b>	<b>126 980</b>	<b>-</b>	<b>1 116 883</b>
Accumulated depreciation of industrial and laboratory equipment	291 420	100 773	-	392 193
Accumulated depreciation of building fixtures and fittings	25 018	11 027	-	36 045
Accumulated depreciation of IT equipment	17 329	13 791	-	31 120
Accumulated depreciation of office furniture	15 154	6 557	-	21 711
Accumulated depreciation of other property, plant and equipment	-	-	-	-
<b>Total accumulated depreciation</b>	<b>348 922</b>	<b>132 148</b>	<b>-</b>	<b>481 070</b>
<b>Net total</b>	<b>640 981</b>			<b>635 813</b>

### Note 5: Non-current financial assets

Non-current financial assets solely comprise the deposit paid for the lease of the Company's premises. These amounts are not discounted in accordance with IAS 17.

### Note 6: Other current assets

Other current assets break down as follows:

<b>OTHER CURRENT ASSETS</b>		
<i>(Amounts in EUR)</i>		
	<u>30/06/2014</u>	<u>31/12/2013</u>
Advances and prepayments	83 006	20 508
State, Research Tax Credit, CICE	2 584 425	1 482 230
State, VAT	515 328	299 985
Other	1 006	55 229
Prepaid expenses	126 716	48 670
<b>Net total</b>	<b>3 310 482</b>	<b>1 906 622</b>

Prepaid expenses correspond mainly to insurance expenses and costs relating to the lease of equipment.

### *Research tax credit*

The Company benefits from the provisions of Articles 244 c B and 49f F of the General Tax Code relating to research tax credit. In accordance with the principles described in Note 3.13 of the notes to IFRS financial statements established on 31 December 2013, the research tax credit is recognised in "Other income" in the year to which the qualifying research expenses relate.

The change in this research tax credit during the last two financial years is shown as follows:

**CHANGE IN  
RESEARCH TAX CREDIT RECEIVABLE**

*(Amounts in EUR)*

	<u>Amount</u>
<b>Receivable on 01/01/2013</b>	<b>699 143</b>
Operating income	1 478 219
Payment received	(699 143)
<b>Receivable on 31/12/2013</b>	<b><u>1 478 219</u></b>

	<u>Amount</u>
<b>Receivable on 01/01/14</b>	<b>1 478 219</b>
Operating income	1 104 121
Payment received	-
<b>Receivable on 30/06/2014</b>	<b><u>2 582 340</u></b>

**Note 7: Cash and cash equivalents**

The item cash and cash equivalents breaks down as follows:

**CASH AND CASH EQUIVALENTS**

*(Amounts in EUR)*

	<u>30/06/2014</u>	<u>31/12/2013</u>
Cash	5 402 515	416 164
Term deposits	-	6 502 689
Marketable securities	36 401 104	2 501 338
<b>Net total</b>	<b><u>41 803 619</u></b>	<b><u>9 420 190</u></b>

**Note 8: Share capital**

**8.1 Issued share capital**

Share capital at 30 June 2014 amounted to €727,873.20, divided into 12,131,220 shares fully subscribed and paid-up with a par value of €0.06.

This number excludes BSA (share subscription warrants) and BCE (founders' share warrants) granted to certain investors and individuals who may or may not be employed by the Company.

All the shares give their holders the right to a proportional share in the income and net assets of the Company.

The table below shows the history of share capital for the two periods presented:

Date	Nature of transactions	Share capital	Issue premium	Number of shares	Nominal value
	<b>Balance at 1 January 2013</b>	<b>€240 531,62</b>	<b>€15 534 945,72</b>	<b>24 053 162</b>	<b>€0,01</b>
24 June 2013	Share capital increase from issue of A shares	€31 645,56	€2 468 353,68	3 164 556	€0,01
13 November 2013	Share capital increase from issue of A shares with A share subscription warrants	€120 027,13	€9 362 116,14	12 002 713	€0,01
	<b>Subtotal at 31 December 2013</b>	<b>€392 204,31</b>	<b>€27 365 415,54</b>	<b>39 220 431</b>	<b>€0,01</b>
	Expenses recognised as a deduction of issue premium		-€162 089,49		
	<b>Balance at 31 December 2013</b>	<b>€392 204,31</b>	<b>€27 203 326,05</b>	<b>39 220 431</b>	<b>€0,01</b>
17 June 2014	Share capital increase from exercise of BSA T2 (tranche 2 share subscription warrants)	€66 681,74	€5 201 175,72	6 668 174	€0,01
17 June 2014	Share capital increase from exercise of BSA IMI n°2 (IMI n°2 share subscription warrants)	€18 987,19	€1 481 002,03	1 898 719	€0,01
17 June 2014	1-for-6 stock consolidation of A shares and IMI shares into ordinary			-39 822 770	
17 June 2014	Share capital increase from ordinary share issue	€249 999,96	€34 249 994,52	4 166 666	€0,06
	<b>Subtotal at 30 June 2014</b>	<b>€727 873,20</b>	<b>€68 135 498,32</b>	<b>12 131 220</b>	<b>€0,06</b>
	Expenses recognised as a deduction of share premiums		-€2 725 931,72		
	<b>Balance at 30 June 2014</b>	<b>€727 873,20</b>	<b>€65 409 566,60</b>	<b>12 131 220</b>	<b>€0,06</b>

The costs of capital increases have been recognised as a reduction of issue premium.

## 8.2 Share subscription warrants, share warrants for founders of companies

The Company has issued BSA (share subscription warrants) and BCE (share warrants for founders of companies) as follows:

Type	Date	Subscription price per share	Number of warrants issued	Number of warrants exercised	Number of potential shares
BSA IMI n°2	27/04/2012	0,79 €	11 392 405	(11 392 405)	-
BSA Tranche 2 <sub>NEW INV</sub>	13/11/2013	0,79 €	12 002 713	(12 002 713)	-
BCE 2013-03	18/03/2013	0,06 €	2 000 517	-	333 420
BSA 2013-03	18/03/2013	0,06 €	1 978 020	-	329 670
	10/02/2013	0,06 €	824 589	-	137 432
BCE 2013-03	05/02/2014	0,06 €	2 809 933	-	468 322
BSA 2013-03	05/02/2014	0,06 €	820 000	-	136 667
	<b>Total at 30/06/2014</b>		<b>31 828 177</b>	<b>(23 395 118)</b>	<b>1 405 501</b>

*Note : does not add with round ups*

\* reminder on BSA 2013-03 and BCE 2013-03 in view of the consolidation of shares by 6 adopted by the Annual General Meeting and Extraordinary of 24 April 2014, six warrants are required to subscribe to one ordinary share with a nominal value of 0.06 euro.

General conditions of the financial year:

### BCE 2013-03 and BSA 2013-03

Given the consolidation of shares by 6 adopted by the Annual General Meeting and Extraordinary of 24 April 2014, six BSA 2013-03 or six BCE 2013-03 ("the warrants") entitle the holder to subscribe one ordinary share of par value of 0.06 euro a subscription price of 0.06 euro.

The warrants may be exercised for up to ten years starting from the allocation date. These have become totally exercisable following the IPO of the company (accelerated vesting provided for in the issuance agreement).

The warrants have been allocated to individuals with the following characteristics:

For BCE 2013-03:

- senior executives who are Company employees and subject to tax treatment of salaried employees;

For BSA 2013-03:

- members of the research committee or non-voting board members or independent directors within the Company;
- individuals who make a significant contribution to the scientific or economic development of the Company at the time of the allocation;
- consultants, senior executives or partners of companies which provide services to the Company.

The impact on the net income of share-based payments is shown in Note 12.

## Note 9: Trade payables and other current liabilities

### 9.1 Trade payables

No trade payables were discounted as the company recorded no late payments (in excess of one year) at the end of each financial year presented.

Trade payables break down as follows:

#### TRADE PAYABLES (Amounts in EUR)

	<u>30/06/2014</u>	<u>31/12/2013</u>
Trade payables	2 441 802	1 378 520
<b>Net total</b>	<b><u>2 441 802</u></b>	<b><u>1 378 520</u></b>

### 9.2 Other current liabilities

Other current liabilities break down as follows:

#### OTHER CURRENT LIABILITIES (Amounts in EUR)

	<u>30/06/2014</u>	<u>31/12/2013</u>
Social contributions payable	376 921	639 455
Taxes payable	1 251	14 803
Other payables	3 611	4 376
<b>Net total</b>	<b><u>381 783</u></b>	<b><u>658 634</u></b>

## Note 10: Operating income

Operating income breaks down as follows:

### OTHER INCOME

(Amounts in EUR)

	<u>30/06/2014</u>	<u>30/06/2013</u>
Research tax credit	1 104 121	574 440
<b>Net total</b>	<b><u>1 104 121</u></b>	<b><u>574 440</u></b>

## Note 11: Operating expenses

Research and development expenses break down as follows:

### R&D EXPENSES

<i>(Amounts in EUR)</i>	<u>30/06/2014</u>	<u>30/06/2013</u>
Personnel costs	1 132 299	618 795
Subcontractors, collaboration and consultants	1 881 778	755 299
Research supplies	772 810	365 288
Lease of real property	83 263	95 730
Conferences, travel expenses	97 077	93 067
Licence fees	85 838	-
Amortisation, depreciation and provisions	367 300	330 117
Other	90 199	26 680
<b>Net total</b>	<b><u>4 510 565</u></b>	<b><u>2 284 977</u></b>

General and Administrative expenses break down as follows:

### General and Administrative

<i>(Amounts in EUR)</i>	<u>30/06/2014</u>	<u>30/06/2013</u>
Personnel costs	451 771	190 450
Fees	207 839	118 325
Lease of real property	44 236	30 697
Insurance	6 664	367
Communication, travel and entertainment expenses	132 109	69 175
Postal and telecommunication costs	41 035	25 539
Administrative supplies and equipment leases	13 099	22 135
Other	33 342	41 954
<b>Net total</b>	<b><u>930 094</u></b>	<b><u>498 641</u></b>

### Personnel expenses

The Company employed 27 people on 30 June 2014, compared with 19 on 30 June 2013.

Personnel expenses break down as follows:

#### PERSONNEL EXPENSES

(Amounts in EUR)

	<u>30/06/2014</u>	<u>30/06/2013</u>
Salaries and other compensation	1 202 940	624 135
Social contributions	350 982	170 813
Pension liability expenses	7 742	7 742
Share-based payments	22 406	6 555
<b>Net total</b>	<b><u>1 584 070</u></b>	<b><u>809 245</u></b>

### Note 12: Share-based payments

Share-based payments relate to all warrants (BSA/BSPCE) allocated to employees, non-employee members of the Board of Directors and scientific advisors.

The warrants are exercisable for up to ten years starting from the allocation date. The vesting of the warrants the holder is not subject to market conditions. The expense (that is equal to the advantage conferred) is recognized linearly as expense over the vesting period.

The warrants expire after a period of 10 years starting from their allocation date. The purchase of warrants by beneficiaries is not subject to market conditions. The representative expense of the benefit granted is accounted for linearly as personnel expenses over the vesting period of the rights.

The amount of the expense recognised during the period breaks down as follows for each plan:

Type	Grant Date	Number	Likely cost of plan	Accumulated expense at 01/01/2014	Expense 2014	Accumulated expense at 30/06/2014
BCE 2013	18/03/2013	2 000 517	€ 7 920	€ 3 633	€ 4 287	€ 7 920
BSA 2013	18/03/2013	1 978 020	€ 6 397	€ 2 922	€ 3 475	€ 6 397
BCE 2013	02/10/2013	824 589	€ 3 151	€ 448	€ 2 703	€ 3 151
BSA 2013	05/02/2014	820 000	€ 2 697	€ -	€ 2 274	€ 2 274
BCE 2013	05/02/2014	2 809 933	€ 11 453	€ -	€ 9 668	€ 9 668
<b>Total</b>		<b>8 433 059</b>	<b>€ 31 618</b>	<b>€ 7 004</b>	<b>€ 22 406</b>	<b>€ 29 410</b>

The main assumptions used when calculating the expense resulting from share-based payments in accordance with the Black-Scholes warrant valuation method are as follows:

- Risk-free interest rate: government borrowing rate for the corresponding average maturity of the GFRN index (source: Bloomberg);
- Dividend: none;



- Volatility: 45%, corresponding to the historic volatility average of a selection of comparable listed companies;
- Turnover: 10% per year;
- Maturity: 5.50 to 7 years.

Detailed information on the number of options by category and exercise prices for the financial year is shown in Note 8.2.

### Note 13: Financial income and expenses

Financial income and expenses break down as follows:

#### FINANCIAL INCOME AND EXPENSES

*(Amounts in EUR)*

	<u>30/06/2014</u>	<u>30/06/2013</u>
Financial income	19 232	3 163
Financial expenses	<u>(8 420)</u>	<u>(5 313)</u>
<b>Net total</b>	<b><u>10 812</u></b>	<b><u>(2 150)</u></b>

### Note 14: Related party transactions

Information regarding related parties is shown in chapter V of this document.

#### RELATED PARTY TRANSACTIONS

*(Amounts in EUR)*

	<u>30/06/2014</u>	<u>30/06/2013</u>
Salaries and other compensation	331 670	240 000
Benefits in kind	19 054	43 181
Pension liability expenses	3 373	3 373
Share-based payments	<u>9 200</u>	<u>779</u>
<b>Net total</b>	<b><u>363 297</u></b>	<b><u>287 332</u></b>

## Note 15: Major developments that occurred after the reporting date

Highlights in the first half of 2014 and events after the reporting date are shown in chapter VI of this document (page 21).

## IV – ACTIVITY REPORT

### Breakdown of income statement

During the two periods presented, the Company has been in a research and development (R&D) phase and has not generated a **turnover**.

As no R&D expense has been activated, the research tax credit (RTC) is fully accounted for in **other operating income**. For the first half of 2014, the Company recorded a net income related to RTC of €1,104,121 compared to a sum of €574,440 in the first half of 2013. This increase is due to the recent launch of the activity and to the beginning of clinical trials on IRIS<sub>50</sub><sup>®</sup>.

In accordance with the EU SME system, the company has filed a tax refund request for its 2013 RTC amounting to €1,478,219. This request is currently being investigated by the tax authorities.

In the first half of 2014, the total amount of **research and development** (R&D) expenses increased to €4,510,565 compared to €2,284,977 one year earlier. These efforts relate mainly to expenses for sub-contracting, collaboration and consultants with the launch of the clinical trial on IRIS<sub>50</sub><sup>®</sup> and to the increase in staff numbers during the period. To meet the requirements of its programmes, the Company increased its R&D staff from 13 on 30 June 2013 to 20 on 30 June 2014.

Research and Development costs break down as follows:

<b>Research and Development</b>		
<i>In EUR</i>	<b>30/06/2014</b>	<b>30/06/2013</b>
Personnel costs	1 132 299	618 795
Subcontractors, collaboration and consultants	1 881 778	755 299
	772 810	365 288
Lease of real property	83 263	95 730
Conferences, travel expenses	97 077	93 067
Licence fees	85 838	-
Depreciation allowance and provisions	367 300	330 117
Other	90 199	26 680
<b>Net total</b>	<b>4 510 565</b>	<b>2 284 977</b>

**General and administrative** expenses mainly comprise costs for administrative personnel, external expenses such as legal, audit and consultancy fees as well as communication, travel and entertainment expenses. In the first half of 2014, G&A amounted to €930,094 compared to €498,641 one year earlier.

General and administrative expenses break down as follows:

<b>General and Administrative</b>		
<i>In EUR</i>	<b>30/06/2014</b>	<b>30/06/2013</b>
Personnel costs	451 771	190 450
Fees	207 839	118 325
Lease of real property	44 236	30 697
Insurance	6 664	367
Communication, travel and entertainment exper	132 109	69 175
Postal and telecommunication costs	41 035	25 539
Administrative supplies and equipment leases	13 099	22 135
Other	33 342	41 954
	<b>930 094</b>	<b>498 641</b>

The increase in G&A during the period is mainly the result of:

- Increased personnel expenses, in particular due to the consolidation of the management team with the new CEO and CFO;
- Increased fees due mainly to recruitment expenses.

Net **financial profit** for the first half of 2014 amounted to €10,812 compared to a net loss of €2,150 for the same period in 2013.

Financial income mainly comprises the payment of term deposit accounts and investment income. The increase in this income is the result of interest received from the second tranche of the round of private financing conducted in November 2013.

Over the two periods presented, financial expenses solely comprised exchange rate losses on purchases of items or research studies in foreign currencies.

Given the deficits reported during the two periods presented, the Company has not recorded any **corporation tax** expense.

**Net loss** for the period amounted to €4,325,726 compared with a loss of €2,211,328 on 30 June 2013. The **loss per share** issued (average weighted number of shares in circulation during the period) amounted to €0.62 and €0.09 per share respectively at 30 June 2014 and 30 June 2013.

### **Break down of balance sheet**

**Non-current assets** comprise tangible, intangible and non-current financial assets. Net non-current assets amounted to €10,211,583 and €8,965,477 respectively at 30 June 2014 and 31 December 2013. This increase is mainly due to the duty (related to achieving one of three objectives defined in the issue contract) to exercise the Intelligent Medical Implant n°2 share

subscription warrants, fully paid-up through the offset of a total amount receivable of €1.5 million.

Net **current assets** amounted to €45,114,101 and €11,326,812 respectively at 30 June 2014 and 31 December 2013. This sharp increase over the period is mainly due to the successful IPO of the Company on 17 June 2014, with net proceeds of €33 million prior to exercising the overallotment option. It is also the result of an increase in research tax credit receivables as a result of increased R&D efforts.

At 30 June 2014, a significant increase was recorded in outstanding **cash and current financial instruments**, which amounted to €41,803,619 compared to €9,420,190 at 31 December 2013.

The positive net change in the Company's **shareholders' equity** is a result of the raising of €33 million net in funds in June 2014. Shareholders' equity therefore amounted to €52,464,708 at 30 June 2014 compared to €18,225,463 at 31 December 2013.

### Breakdown of cash flow statement

<b>Simplified cash flow statement</b>			
In EUR	<u>30/06/2014</u>	<u>30/06/2013</u>	
Net cash flow from operating activities	(4 530 061)	(2 618 360)	
Net cash flow from investing activities	(1 629 076)	(100 274)	
Net cash flow from financing activities	38 542 565	2 501 582	

Use of **cash flow from operating activities** at 30 June 2014 and 2013 amounted to (€4,530,061) and (€2,618,360) respectively. During the first half of 2014, use of cash flow from operating activities increased compared to the same period a year earlier as a combined result of the Company's growing commitment to its R&D programmes, the general growth of its activity and the consolidation of its management team.

Use of **cash flow from investing activities** increased during the first half of 2014 due to the exercising of Intelligent Medical Implant n°2 BSA (share subscription warrants), fully paid-up through the offset of a total amount receivable of €1.5 million.

Net **cash flow from financing activities** amounted to €38.5 million in the first half of 2014 compared to €2.5 million a year earlier following the receipt in June 2014 of a net sum of €33 million raised in the Company's IPO on Euronext, and to the exercising of BSA Tranche 2 share subscription warrants from the second round of financing in November 2013.

## V – INFORMATION ON RELATED PARTIES TRANSACTIONS

The forms of remuneration presented below, granted to executive officers and members of the Company's Board of Directors, have been accounted for in expenses during the financial years presented.

### RELATED PARTY TRANSACTIONS

*(Amounts in EUR)*

	<u>30/06/2014</u>	<u>30/06/2013</u>
Salaries and other compensation	331 670	240 000
Benefits in kind	19 054	43 181
Pension liability expenses	3 373	3 373
Share-based payments	9 200	779
<b>Net total</b>	<u><b>363 297</b></u>	<u><b>287 332</b></u>

## VI – MAJOR DEVELOPEMENTS

- On **26 March 2014** Pixium Vision announced the appointment of Khalid Ishaque as Chief Executive Officer and Director;
- On **24 April 2014**, the Annual and Extraordinary General Meeting (AEGM) decided on the 1-for-6 stock consolidation of ordinary shares which make up Pixium Vision' share capital as of IPO of Company shares on Euronext in Paris.  
As a result, on the date of IPO on Euronext, the share capital amounting at the time to €477,873.24 remained unchanged (divided at the time into 47,787,324 ordinary shares with a par value of €0.01) was divided into 7,964,554 ordinary shares with a par value of €0.06;
- On **13 May 2014** Pixium Vision announced that its Document de Base (Registration Document) was registered with the French Autorité des marchés financiers (AMF) on 12 May 2014 with the number I.14-030. This registration marks the first phase of the Company's planned IPO on the regulated market Euronext Paris, subject to market conditions and the issuing of the AMF visa on the prospectus related to the transaction;
- On **21 May 2014** Pixium Vision announced the appointment of Pierre Kemula as Chief Financial Officer;
- On **3 June 2014** Pixium Vision announced the launch of its Initial Public Offering (IPO) on Euronext's regulated market in Paris (Euronext Paris). The French Autorité des marchés financiers (AMF) had granted visa number 14-257 dated 2 June 2014 to the French prospectus relating to the IPO of Pixium Vision, which comprises a registration document registered with the AMF on 12 May 2014 under number I.14-030 and a securities note (including a summary of the prospectus). The offering of the new shares consists of a public offering in France in the form of an open price aimed primarily at retail investors



and a global placement aimed primarily at institutional investors (ex –USA). The IPO is composed of an extension clause and an overallotment option;

- On **17 June 2014** Pixium Vision announced the successful completion of its Initial Public Offering (IPO) on Euronext's regulated market in Paris (Euronext Paris) raising a total of €34.5 million. The Board of Directors decided on 17 June 2014 to fully exercise the extension clause. Pixium Vision has issued 4,166,666 new shares (including 543,478 shares from the extension clause) at a price of €8.28 per share. Upon listing, the company's market capitalisation reached €100.4 million (\$135.9 million) based on the offer price;
- On **24 June 2014** Pixium Vision confirmed that it was eligible to the PEA-PME.

**After 30 June 2014 major developments were:**

- On **2 July 2014** Pixium Vision announced that it had received the ISO 13485:2012 certification for the design, development, manufacturing and distribution of its IRIS<sup>®</sup> and PRIMA vision restoration systems. As part of its excellence policy, Pixium Vision set up a quality management system to ensure that its products are inspected and tested by qualified staff at each step of the manufacturing process. The international notified body DEKRA recorded and approved the company's compliance with quality system regulatory requirements, its control of special processes and the risk analysis along the products value chain;
- On **17 July 2014**, Pixium Vision announced that Société Générale and Jefferies International as Joint Lead Managers and Bookrunners, acting on behalf of the Underwriters have exercised at 95.8% the overallotment option, resulting in the issuance of 598,575 additional new shares at the offering price, i.e. €8.28 per share. As a result, after exercise of the overallotment option, a total of 4,765,241 new shares will have been issued for the IPO on Euronext Paris (compartment C), amounting to total gross proceeds of €39.5 million.

The funds raised in the context of the IPO are intended to give Pixium Vision additional resources to finance its activity (including working capital requirements) and its development, specifically the clinical development and commercial launch of IRIS<sup>®</sup> in Europe and the United States; and the development of PRIMA, to the point of obtaining regulatory authorisations for its commercialisation in Europe;

- On **17 July 2014** Pixium Vision announced that it has entrusted Gilbert Dupont with the implementation of a liquidity agreement for a 12-month period, renewable by tacit agreement, on Pixium Vision shares traded on Euronext Paris (Compartment C). The agreement is effective on 18 July 2014. The company allocated €300,000 (three hundred thousand euros) for the implementation of this liquidity contract.